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January 4, 2002

BY E-MAIL

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

NON-CONFIDENTIAL VERSION

Re: Comments On Potential Presidential Action Under Section 203 Of The Trade Act Of 1974 With Regard To Imports Of Semi-finished Carbon And Alloy Steel Slab

Dear Ms. Blue:

On behalf of the AK Steel Corporation, California Steel Industries, Inc., Duferco Farrell Corporation, and Oregon Steel Mills, Inc. we submit these comments on potential Presidential action under Section 203 of the Trade Act of 1974 with regard to imports of semi-finished carbon and alloy steel slab. This document has been filed in Adobe PDF format via e-mail by the deadline of January 4, 2002, in accordance with the instructions in the Federal Register notice of the Trade Policy Staff Committee: Public Comments On Potential Action Under Section 203 Of The Trade Act Of 1974 With Regard To Imports Of Certain Steel (66 Fed. Reg. 54321, Oct. 26, 2001), as modified by the Federal Register notices published on November 29, 2001 (66 Fed. Reg. 59599) and December 28, 2001 (66 Fed. Reg. 67349).

We have removed information in brackets on page 13 and in Exhibits 2-5 and 9 of the attached non-confidential version. In the filing of the business confidential version, we requested that this information be accorded business confidential treatment and be exempted from public inspection, in accordance with 15 C.F.R. § 2003.6. This

information relates to trade secrets and/or commercial and financial information, the disclosure of which is not authorized by the interested parties furnishing the information and is not required by law. The information for which we request business confidential treatment cannot be further summarized, aggregated, ranged, or indexed.

If you have any questions regarding this submission, please contact the undersigned.

Respectfully submitted,

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BEFORE THE
UNITED STATES TRADE REPRESENTATIVE

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STEEL	)
	)

NON-CONFIDENTIAL VERSION
Business confidential information has been deleted from page 13 and Exhibits 2-5 and 9.

COMMENTS ON POTENTIAL PRESIDENTIAL ACTION ON SEMI-FINISHED STEEL SLAB

On Behalf Of

AK Steel Corporation, California Steel Industries, Inc., Duferco Farrell Corporation, And Oregon Steel Mills, Inc.

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January 4, 2002

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I. EXECUTIVE SUMMARY

The U.S. International Trade Commission ("ITC") has defined a "certain carbon flat-rolled steel" industry that includes domestic producers of semi-finished steel slab ("slab") and four flat-rolled finished products -- plate, hot roll, cold roll, and coated ("plate and sheet"). As shown in Exhibit 1, AK Steel, California Steel, Duferco Farrell, and Oregon Steel are significant members of this domestic industry. They employ approximately 15,000 workers, ship about 11 million tons of steel per year, and have recently invested $1.5 billion in state-of-the-art capacity to roll plate and sheet. They urge the President not to impose any import restrictions on slab that would harm their domestic production facilities, place their employees' jobs at risk, or tilt the domestic playing field in favor of minimills and other producers that do not purchase slab.

The President, like the ITC, should consider slab separately from plate and sheet. Slab is cast from molten steel into shapes that typically measure 6-12 inches thick, 36-72 inches wide, and 30 feet long. Slab is not a flat-rolled product. It is a raw material used by producers of plate and sheet. Only steel mills use slab.

The President should not impose import restrictions on slab. First, although the ITC included slab in the same like product and domestic industry as plate and sheet, it made no finding that slab imports were injurious. The crux of the ITC's injury and causation analysis is that an import surge in 1998 seriously injured the domestic industry. While imports of plate and sheet did jump by 79 percent from 1996 to 1998, slab imports fell by 15 percent over the same period. Thus, slab imports did not cause or even contribute to the injury found by the ITC. Second, imposition of the tariffs recommended

for plate and sheet would necessarily improve the health of the entire domestic industry, including slab production. Slab accounts for only 0.5 percent of the net sales value of the commercial shipments of the domestic industry. Accordingly, import restrictions on slab are not needed to remedy the injury.

Alternatively, the President should modify the tariff-rate quota ("TRQ"). Although the ITC intended to avoid causing harm to domestic steel purchasers that have legitimate needs to continue to import slabs, the TRQ as proposed would not avoid such harm. Even if demand for foreign slab did not exceed the 7 million ton quota in year one, slab purchasers would bid up the price for slab early in the year to eliminate the risk of paying the 20 percent penalty on above-quota imports at year-end. Higher slab prices would mean higher raw material costs for those domestic producers that purchase slab and a competitive advantage for domestic minimills that do not purchase slab and do not compete with slab imports. In addition, the demand for foreign slab is likely to exceed the 2000 import level of 7 million tons relied upon by the ITC in setting the TRQ level. Increased demand for domestic plate and sheet, the closure of Geneva Steel, the acquisition of Heartland by Brazil's largest slab producer, increased furnace re-lines, and transitions from BF/BOF to EAF steelmaking should increase the demand for foreign slab to at least 10 million tons in year one of the relief.

In short, the President should not impose any import restrictions on slab. Alternatively, he should modify the proposed TRQ by (1) increasing the quota level to at least 9 million tons in year one, 9.5 million tons in year two, and 10 million tons in year three; (2) reducing the additional tariff on any over-quota shipments to no higher than 10

percent in year one, 8 percent in year two, and 6 percent in year three; and (3) limiting the duration of the TRQ to three years and one day.[1]

II. THE PRESIDENT SHOULD CONSIDER SLAB SEPARATELY

First, slab is not a flat-rolled product. It is a raw material used only by members of the domestic industry to make plate and sheet. That cannot be said of any flat-rolled product. For example, while some hot roll is used by steel mills as a feedstock to produce cold roll, about 40 percent is sold in the merchant market.

Second, "virtually all U.S.-produced slab is internally consumed by the domestic slab producers in their production of hot-rolled steel (sheet, strip, or plate)." (p. 39)[2] During 2000, "99.4 percent of the quantity of domestic producers' total U.S. shipments of slab were internally transferred." (*Id*.)

Third, the U.S. has far more capacity to produce plate and hot roll than to cast slab. In 2000, rolling capacity for plate and hot roll (89,504,249 tons) exceeded slab-making capacity (75,066,950 tons) by 14.4 million tons. (FLAT-16-18)

Fourth, no domestic integrated producer of slab is in business primarily to sell slab. Steel producers are constantly trying to push their output down to the higher value-added products that are more profitable. Moreover, producers with sporadic excess slab-making capacity have no incentive to supply their competitors with an essential raw material. Minimills do not sell slab into the merchant market. The thin slabs that they

[1] If the over-quota tariff remains at 20 percent in year one, the quota level should be increased to 10 million tons in year one.

[2] All citations to page numbers and to "FLAT" are to the ITC's December 19, 2001 determination.

typically produce are "immediately consumed in the hot-rolling process and are thus not available for the merchant market." (FLAT-1, n.1)

Fifth, slab price and import trends are vastly different than those for plate and sheet. For example, 1998 was the peak year for plate and sheet imports, but the trough year for slab imports, and "prices of flat-rolled carbon steel were lower at the end of the period of study than at the beginning, with the sole exception of slab." (FLAT-74)

Sixth, unlike plate and sheet, domestic slab for the merchant market is in short supply in the United States. This explains why "{s}labs were the only product in which more purchasers purchased from foreign sources than domestic sources." (FLAT-54) They had no alternative. In fact, "{d}uring 2000, all 11 domestic steel producers which bought slabs purchased imported slabs." (FLAT-51) Slab imports are needed by (1) processors of slabs that have no hot-end (California Steel, Duferco Farrell, Lone Star Steel, and Jindal USA); (2) EAF producers that have more rolling capacity than slab-making capacity (Oregon Steel and Beta Steel); (3) integrated producers that have more rolling capacity than slab-making capacity (such as AK Steel); and (4) substantially all integrated producers during furnace relines or other melt shop outages.

Finally, the shortage of domestic slab is especially acute in the western United States. Since the early 1980s Oregon Steel and Geneva Steel have been the only slab producers west of the Rocky Mountains. Oregon Steel, however, depends on slab imports to utilize its rolling capacity, and Geneva ceased producing slab last November.

III. THE PRESIDENT SHOULD NOT RESTRICT SLAB IMPORTS

A. Slab Imports Benefit Members Of The Domestic Industry

Every ton of imported slab is used by and benefits a member of the domestic industry. Substantially all members of the industry (other than minimills with thin-slab casters)[3] purchase foreign slab.

First, domestic producers of plate and sheet that have no hot end must import slab to survive. California Steel has depended on slab as its essential raw material since it commenced operations in 1984. See Exhibit 2. Duferco Farrell depended on imported slab to commence its operations in 1999. See Exhibit 3. Lone Star Steel and Jindal USA also are entirely dependent on slab imports.

Second, domestic producers with more rolling than slab-making capacity are dependent on slab imports to supplement their domestic production. AK Steel, for example, runs its hot end at maximum capacity and produces nearly 90 percent of its own slab requirements. It must purchase up to 800,000 tons of slab each year to keep its finishing mills running at peak efficiency. See Exhibit 4. Oregon Steel must import over 500,000 tons of slab to fully utilize its state-of-the-art plate mill. See Exhibit 5.

Third, all BFs have planned outages for maintenance and improvements and unplanned outages due to breakdowns and explosions. During these outages, mills need imported slab to run their rolling operations at the desired level of utilization. (p. 365) Even large producers with many furnaces purchase slab, because their other furnaces are

[3] Minimills, such as Nucor, depend on imported pig iron, direct reduced iron ("DRI"), and steel scrap as essential raw materials.

fully committed, do not produce slab with the desired chemistry or dimensions, or are in uneconomic locations to supply the rolling mill affected by the outage.

Fourth, slab imports are especially important to the western United States. With the recent closure of Geneva Steel, no mill west of the Rocky Mountains sells any slab into the merchant market. Shipping slab overland to the West from mills in the Midwest and the East is cost prohibitive. Thus, California Steel, Oregon Steel, Lone Star Steel, and Jindal USA must import slab.

Finally, slab imports facilitate the domestic industry's adjustment to import competition, which is the preeminent purpose of any Section 201 safeguard action. As noted by the ITC, slab imports have enabled domestic producers of plate and sheet to rationalize capacity "by closing down obsolete slab-making capacity" and making "long-term investments in capacity to produce further processed" plate and sheet. (p.365) Slab imports also will enable domestic producers to temporarily reduce "slab-making capacity in order to shift to more modern slab-making equipment, or to upgrade or repair existing equipment as part of their adjustment efforts." (*Id.*)[4]

B. Slab Imports Did Not Cause Any Injury

The ITC found that the "surge in imports in 1998, at prices below domestic prices, led to a decline in the industry's financial and other indicators." (p. 62) The ITC did not conclude that slab imports caused any injury to the domestic industry. See Exhibit 6. To the contrary, slab imports did not even contribute to the 1998 import surge that the

[4] Wheeling-Pittsburgh, for example, will only be able to transition its operations to more cost efficient EAF production if it has access to imported slab. Wheeling-Pittsburgh Adjustment Plan at 3.

Commission found injurious. Although imports of plate and sheet jumped 79 percent from 1996 to 1998, imports of slab fell 15 percent. See Exhibit 7. Moreover, the Commission correctly noted that "{b}etween 1996 and 2000, commercial shipments of slabs accounted for only 0.9 percent of {the quantity of} total shipments of domestically produced slab." (p. 53, n.199) Unlike imports of plate and sheet, increased imports of slab did not displace domestic commercial shipments.

C. Restrictions On Slab Imports Are Not Needed To Remedy The Injury

The financial performance of slab production is dictated not by merchant sales of slab, but by merchant sales of plate and sheet. As shown in Exhibit 8, commercial slab sales account for only 0.5 percent of the net sales value of the domestic industry, and commercial sales of plate and sheet account for the remaining 99.5 percent. As a result, the imposition of import restrictions on plate and sheet, not slab, will improve the financial performance of the entire industry, including slab production. Restrictions on slab would only increase raw material costs and hurt the financial performance of domestic producers that depend on foreign slab.

Injury from increased imports can be remedied solely by import restrictions on plate and sheet. First, import restrictions on plate and sheet would create more demand for captively consumed slab to supply domestic plate and sheet mills. This would increase slab capacity utilization and decrease unit fixed costs of slab production. Second, import restrictions on plate and sheet would lead to higher domestic prices for plate and sheet made from slab. This would lead to higher revenues allocated to slab operations. Thus, no need exists to impose import restrictions on slab.

D. Restrictions On Slab Imports Would Penalize The Companies That Have Already Executed Their Adjustment Plans

AK Steel, California Steel, Duferco Farrell, and Oregon Steel made substantial investments in new rolling capacity that were predicated on unrestricted access to slab imports. See Exhibits 2-5. AK Steel would not have invested $1.1 billion in its state-of-the-art finishing facility in Rockport, Indiana if access to slab imports were restricted. Oregon Steel would not have invested over $250 million in its state-of-the-art plate mill in Portland without access to slab imports. The business models of California Steel (which has been rolling purchased slab and has invested over $500 million since its inception in 1984) and Duferco Farrell (which has invested $100 million in its rolling facilities during 1999-2001) are predicated on access to imported slab. Indeed, California Steel and Duferco Farrell do not have any BF/BOF or EAF and would not exist today without slab imports.

Together, these companies invested over $1.5 billion in rolling facilities during 1996-2001. They have already adjusted to import competition. If import restrictions were imposed on slab imports, these investments and the thousands of jobs they sustain would be seriously jeopardized. Restrictions on slab would also deny to others the option of adjusting to import competition in the same fashion during the relief period.

California Steel, which supplies approximately 40 percent of the sheet consumed west of the Rocky Mountains, has not had a hot end since its inception in 1984. Duferco Farrell, which rescued the Farrell Works from extinction in 1999 and put 500 people back to work, also does not have a hot end. Both companies are entirely dependent on imported slab to run their rolling mills and maintain 1,500 jobs for their employees.

E. Restrictions On Slab Imports Would Largely Benefit Minimills That Do Not Sell Slab And That Do Not Compete With Slab Imports

The domestic producers that would principally benefit from restrictions on slab imports are minimills like Nucor and Steel Dynamics that do not compete with slab imports. Minimills using thin-slab casters do not purchase slab. Their raw materials are mainly steel scrap, pig iron, and DRI, which they import in large quantities.[5] Nucor imported over a million tons of pig iron in 2000, because "pig iron is not available domestically." ITC Tr., Injury Phase, at 548. Likewise, Nucor urged Ambassador Zoellick in a June 21, 2001 letter to exclude pig iron from the scope of the Section 201 investigation because "{p}ig iron is an essential raw material for virtually all steel producers who utilize electric arc furnace technology. . . . Pig iron is not commercially available in the United States." As support, Nucor attached Table 26 from the AISI 1999 Annual Report, which showed that the share of total BF production of pig iron sold into the merchant market was 1.2 percent in 1997 and 0.5 percent in 1999. Nucor defends its resort to foreign pig iron during years of excess domestic BF capacity by showing that the integrated mills choose not to participate in the merchant market for pig iron. The same logic applies to slab. The share of domestic slab production sold into the merchant market equaled only 1.2 percent in 1997 and 0.6 percent in 1999. (FLAT-16)

Accordingly, it would be extremely unfair to impose restrictions on slab imports, which would provide minimills with a significant raw material cost advantage over their domestic competitors. Imposing tariffs on slab would favor the business model of

[5] Nucor purchases up to 130,000 metric tons of pig iron each month. See Nucor to import 60,000 tons of pig iron for $120 per ton, American Metal Market, July 9, 2001.

minimills and reject the business model of domestic producers of plate and sheet that rely on slab imports.

The picking of domestic winners and losers is not the objective of Section 201. The purpose of Section 201 is to facilitate a domestic industry's efforts to adjust to foreign competition. Thus, the President should not use Section 201 to tilt the playing field in favor of some domestic producers over their domestic competitors, but rather should let the marketplace decide which domestic business models succeed.

F. Restrictions On Slab Imports Would Hurt Plate And Sheet Consumers, Particularly In The Western United States

Restrictions on slab imports would hurt plate and sheet consumers, especially in the western United States. The western steel market is distinct and somewhat isolated from the rest of the U.S. steel market. Western consumers of plate and sheet are particularly dependent on local producers of these products. California Steel ships about 40 percent of the flat-rolled carbon steel products that are consumed in the 11 states located west of the Rocky Mountains, but it is totally dependent on slab imports. If California Steel disappears or is forced to cut back production due to restrictions on slab imports, consumers of sheet in the western United States will lose their most important single source of supply. See Exhibit 2. Similarly, Oregon Steel supplies most specialty plate and a substantial portion of commodity plate consumed in the West, but it cannot utilize all of its plate production capacity without slab imports. See Exhibit 5.

G. Slab Imports Would Not Surge

Slab is only consumed by steel producers to make downstream finished steel products. Consequently, slab (the upstream product) is not directly substitutable with

plate or sheet (the downstream product), and slab cannot be pushed into the market because it trades on a mill-to-mill basis. The level of future slab imports, therefore, will be dictated by domestic mills' slab needs for their production of downstream products, not by foreign suppliers pushing unneeded slab into the U.S. market.

Unlike plate and sheet, slab imports did not surge at any time during 1996-2000. In particular, slab had nothing to do with the 1998 import surge that the ITC found injurious. While plate and sheet imports surged by 79 percent from 1996 to 1998 -- as foreign producers pushed their excess capacity into the U.S. market in response to the Asian financial crisis -- slab imports dropped 15 percent. See Exhibit 7. Foreign producers could not push slab into the U.S. market, because U.S. demand for slab is derived solely from the demand for domestically produced plate and sheet.

Slab imports did increase from 1998 to 2000, but solely because AK Steel, California Steel, Duferco Farrell, and Oregon Steel invested $1.5 billion in new rolling capacity. See Exhibit 9. These increased slab imports benefited the domestic industry by facilitating adjustment to import competition and creating new jobs; they cannot be characterized as an injurious import surge.

In addition, the domestic steel industry has not included slab in any of the plethora of antidumping and countervailing duty petitions filed over the past 20 years. Foreign producers, however, have not responded to antidumping and countervailing duties imposed on plate and sheet by exporting more slab to the United States. Nor would they do so as a result of Section 201 import restrictions on plate and sheet.

IV. ALTERNATIVELY, THE PRESIDENT SHOULD MODIFY THE TRQ

A. The Quota Level Should Be Increased

If the President decides to impose import restrictions on slab, he should modify the TRQ recommended by the ITC by increasing the quota level to at least 9 million tons in year one, 9.5 million tons in year two, and 10 million tons in year three.

The Commission stated that its recommendation of a TRQ for slabs "is intended to avoid causing harm to domestic steel producers that have legitimate needs to continue to import slabs. . . . " (p. 365). Unfortunately, the TRQ as proposed will not satisfy that objective.

First, because the proposed TRQ would impose a sharp 20 percent input cost penalty on late orders beyond the TRQ threshold, rational slab purchasers would be forced to reduce their risk exposure by moving forward their orders for slab. Given the first-come, first-serve nature of any TRQ, this would bid the price of slab imports up far in advance of the TRQ starting to bind. Moreover, it would do so in weak years even if actual imports never crossed the threshold because steel producers must make their purchases based on expectations. The irony of this phenomenon is that prior to the threshold being reached, these quota rents would transfer funds from efficient domestic steel producers to foreign slab suppliers. This transfer would undermine the purpose of steel import relief by imposing a tax on slab-consuming domestic manufacturers and giving the proceeds to foreign steel firms.

Second, the 7 million ton quota recommended by the ITC is based upon "the level of imports of slab minus imports of slab from Canada in the year 2000." (p. 365) Given a

lower slab import level during depressed demand conditions in the first half of 2000, the ITC noted that this 7 million ton level "would not be triggered under current market conditions." (*Id*.) Current market conditions, however, will soon change. Demand for domestic plate and sheet is likely to increase substantially commencing in the second quarter of 2002, as the U.S. economy rebounds from recession and as customers react to import restrictions on plate and sheet by shifting to more domestic purchases.

Demand for foreign slab in the first year of relief is likely to be at least 3 million tons greater than in 2000, due to (1) the closure of Geneva Steel on November 14, 2001, (2) CSN's acquisition of Heartland in July of 2001, (3) increased domestic production of plate and sheet resulting from restrictions on imported plate and sheet, (4) additional furnace relines, (5) Wheeling-Pittsburgh's November 5, 2001 adjustment plan, (6) the closing of inefficient slab-making capacity as a result of industry consolidation and restructuring, and (7) the closing of older slab-making capacity due to tightening environmental restrictions. See Exhibit 10. AK Steel, California Steel, Duferco Farrell, and Oregon Steel will need [ ] more tons of foreign slab in 2002 than in 2000 to meet projected demand for their plate and sheet products in 2002. See Exhibits 2-5.

The ITC recognized that import restrictions on plate and sheet "will itself generate increased adjustment-related need for slab imports in the short-term. . . ." (p. 365). Moreover, the ITC noted that several integrated producers intend to make the following types of investments over the next three years: rebuilding existing coke plants, relining and refitting BFs, modifying BFs to provide coal injection or oxygen injection, replacing older BFs with COREX units, and rebuilding and converting continuous casters. (p. 361)

Other producers, such as Wheeling-Pittsburgh, intend to replace BF/BOF operations with EAF operations. All of these adjustment efforts will require domestic mills to import slab to keep their rolling mills in operation while their furnaces are being improved.

B. The Above-Quota Tariff Level Should Be Reduced

A 20 percent tariff would create a hard ceiling beyond which slab purchasers could not afford to import and would lead to short-supply situations. Accordingly, the above-quota tariff level should be reduced to no more than 10 percent in year one, 8 percent in year two, and 6 percent in year three. Alternatively, the President should either increase the quota level (*e.g.*, to 10 million tons in year one, 10.5 million tons in year two, and 11 million tons in year three) or impose a short-supply mechanism in conjunction with the TRQ.

C. The Duration Of The TRQ Should Be Three Years And One Day

Given the uncertainty surrounding the merchant market for slab, it is impossible to predict an appropriate level of relief over four years. Thus, any restrictions on slab imports should be limited to no more than three years and one day. That duration would require the ITC to conduct a mid-term review to determine, among other things, if the restrictions are exacerbating the current domestic slab shortage.

D. Only Major, Consistent Slab Supplying Countries Should Be Considered For Country-Specific TRQ Allocations

The ITC has recommended that the TRQ on slab be allocated on a country-specific basis. Only major, consistent slab supplying countries, however, should be considered for country-specific TRQ allocations. Like their U.S. counterparts, most foreign steel producers are not long-term, consistent suppliers of slab to the merchant

market. Their interest in the slab market depends entirely on the demand for their downstream products -- the more demand there is for plate and sheet, the less interest they have in selling slab. For this reason, it makes no sense to establish quota allocations for all countries. The better approach would be to establish allocations for a few major suppliers and assign the remaining tonnage to an "all others" category. Among other things, this approach would avoid the difficulties associated with reallocating country-specific quotas that are not fully utilized. Finally, any country's unutilized quota amount should be transferred to other countries on at least a quarterly basis.

V. CONCLUSION

The President should not impose import restrictions on slab, because they are not needed to remedy the injury suffered by the domestic flat products industry, and because they would harm members of that industry. Alternatively, the President should modify the recommended TRQ by (1) increasing the quota level to at least 9 million tons in year one, 9.5 million tons in year two, and 10 million tons in year three; (2) reducing the additional tariff to no more than 10 percent in year one, 8 percent in year two, and 6 percent in year three; and (3) limiting the duration of the TRQ to three years and one day.

_____

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Dated: January 4, 2002

AK STEEL · CALIFORNIA STEEL · DUFERCO FARRELL · OREGON STEEL

AK Steel

- Produces slab using BFs and BOFs
- Produces hot-roll, cold-roll, and corrosion-resistant
- Invested $1.1 billion in rolling mills since 1996
- Shipped over 4.5 million tons of carbon flat products in 2000
- 11,600 employees

California Steel

- Has never produced slab
- Produces hot-roll, cold-roll, corrosion-resistant, and welded pipe
- Invested over $500 million in rolling mills since 1984
- Shipped 1.8 million tons in 2000
- 1,000 employees

Duferco Farrell

- Has never produced slab
- Produces hot-roll and cold-roll
- Invested $100 million since 1999
- Shipped 900,000 tons in 2000
- 500 employees

Oregon Steel

- Produces slab using EAF
- Produces commodity and specialty plate and welded pipe
- Invested $250 million in new plate mill since 1996
- Shipped 900,000 tons of plate and pipe in 2000
- 1,900 employees

EXHIBIT 1

CALIFORNIA STEEL INDUSTRIES, INC.

- California Steel is the largest domestic steel supplier of hot-rolled, cold-rolled, galvanized, and welded pipe in the western United States. In 2000 it shipped approximately 1.8 million tons, which corresponds to about 40 percent of the flat products that are consumed in the 11 states located west of the Rocky Mountains.

- In its 17-year history, California Steel has never had a lay-off and has been one of America's most profitable steel companies on an operating profit per-ton basis.

- California Steel was founded in 1984 on the site of the old Kaiser Steel facility in San Bernardino County, California. Kaiser Steel shuttered its operations in 1983.

- Following the collapse of Kaiser Steel, California Steel rescued the rolling and finishing mills and began a program of investment that now exceeds $500 million.

- California Steel has never produced slab. It does not have a BF, BOF, or EAF.

- Twice (1993-94 and 1997-98), California Steel assessed the possibility of installing an EAF; however, the environmental constraints in Southern California and other peculiarities unique to the location scuttled the project.

- California Steel's mill has run on purchased slab since its inception in 1984. Slab is the company's raw material and is critical to its continued operation and success.

- Almost all slab must be imported. Virtually no slab is produced in the U.S. for the commercial market. Domestic slab is especially scarce west of the Rocky Mountains.

- A 40 percent tariff imposed on slab would have turned the company's income before taxes of $[ ] million in 2000 into a loss of more than [ ].

- A 20 percent tariff imposed on slab would have lowered the company's income before taxes in 2000 from $[ ] million to under [ ].

- California Steel will need to import at least [ ] tons more slab in 2002 than it imported in 2000 in order to utilize all of its rolling capacity.

- In sum, any tariff on slabs could be fatal to California Steel and the 1,000 jobs that it directly sustains.

EXHIBIT 2

DUFERCO FARRELL CORPORATION

- Duferco Farrell operates hot-roll and cold-roll mills in Farrell, Pennsylvania. The mills were purchased in 1998 from Caparo Steel, which had gone bankrupt.

- The company invested roughly $100 million and hired about 500 employees to resurrect the rolling end of Caparo Steel.

- Duferco Farrell does not import any hot-rolled products. The only reason the company imports slab is to make hot-roll and cold-roll steel.

- Duferco would not have invested in the Farrell Works without access to slab imports.

- For various reasons, including site limitations, installation of melt capacity and the production of slab is not an option at the Farrell Works. The previous owners failed because it was not feasible to produce slab.

- Import restrictions--whether a tariff, quota, or tariff-rate quota--would unfairly penalize Duferco Farrell's investments and jeopardize the jobs of its employees.

- Import restrictions would not motivate the company's domestic competitors to sell it slab. They would prefer to take away Duferco Farrell's customers for hot-roll and cold-roll. They have already approached the company's customers to suggest that it may not be a long-term supplier if tariffs are imposed on slabs.

- Any level of tariffs imposed on slabs would wipe away the slim margins that Duferco Farrell has in any market.

- A 40 percent tariff on slabs would have turned the company's operating income of $[ ] million in 2000 into an operating loss of more than $[ ] million.

- A 20 percent tariff on slabs would have turned the company's operating income of $[ ] million in 2000 into an operating loss of $[ ] million.

- Duferco Farrell projects that it will need to import about [ ] tons more slab in 2002 than it imported in 2000 to satisfy projected demand for its sheet products.

EXHIBIT 3

AK STEEL CORPORATION

- AK Steel is a Fortune 500 company with $4.6 billion in annual sales. The company operates seven steelmaking and finishing plants in Ohio, Pennsylvania, Indiana, and Kentucky. AK leads the industry in safety, quality, productivity, and profitability. Approximately 70% of AK's total workforce is represented by independent, national, and international unions.
- AK produces carbon slab at its plants in Middletown, Ohio and Ashland, Kentucky, and hot-rolled, cold-rolled, and galvanized sheet at its rolling mills in Middletown and Rockport, Indiana. AK also produces galvanized sheet in Ashland, Kentucky from coils produced in Middletown.
- AK has been the *most profitable* integrated U.S. steel producer, based on operating profit per ton, each of the last seven years in large part because it restructured and consolidated its operations before the rest of the U.S. industry.
- In 1992, when on the brink of bankruptcy, AK committed to close its less profitable facilities and to concentrate on areas where it had production efficiencies.
- Toward that goal the company invested $1.1 billion to build a state-of-the-art finishing facility in Rockport, Indiana. That facility opened in mid-1998 and produces high-quality, value-added carbon and stainless steel products with productivity levels unmatched in the world.
- With the start-up of Rockport, AK's finishing capacity outstripped its raw steelmaking capacity for the first time in its history. Rather than invest hundreds of millions of dollars in a new hot end to fill that gap, AK determined that it would be more cost-efficient and provide greater flexibility to fill its slab deficit through purchases from other producers of high-quality slab, particularly IF slab.
- Slab (especially IF slab) generally is not available from domestic steel mills. Thus, the ability to import slab is critical to the continued success of AK's adjustment efforts.
- A 40 percent tariff imposed on slab would have reduced AK's operating income of $[ ] million in 2000 on its carbon steel operations to $[ ] million. A 20 percent tariff would have reduced operating income in 2000 from $[ ] million to $[ ] million.
- AK projects that it will consume more foreign slab in 2002 than in 2000, based on projected demand for its sheet products.
- Import restrictions on slab would unfairly penalize AK's adjustment efforts, which are entirely consistent with the President's steel initiative to reduce excess global steel capacity and to encourage restructuring of the U.S. steel industry.

EXHIBIT 4

OREGON STEEL MILLS, INC.

- Oregon Steel has over 700,000 tons of raw steelmaking capacity at its minimill in Portland, Oregon. The company manufactures one of the broadest lines of specialty and commodity steel products of any domestic minimill.

- In order to offer a variety of plate products, Oregon Steel does not produce slab using the continuous cast process. Instead, it melts steel in an EAF and pressure casts the liquid steel in graphite molds.

- Oregon Steel sells plate into the merchant market and also consumes plate internally in the production of large diameter welded pipe.

- Oregon Steel's Napa Pipe Mill is the largest large diameter (16-42 inch) pipe producer in North America, producing pipe for oil and gas transmission.

- Oregon Steel supplies most of the specialty plate and a substantial share of the commodity plate consumed west of the Rocky Mountains.

- In 1997, Oregon Steel invested $250 million in a new plate mill that increased the company's rolling capacity for flat products to 1.2 million tons.

- As a result of this investment, Oregon Steel's finishing capacity exceeds its raw steelmaking capacity by over 500,000 tons. Instead of investing hundreds of millions of dollars in new melting capacity to close this gap, Oregon Steel decided to fill its slab deficit with purchased slab.

- Maintaining this deficit has proven successful. It is far more practical and cost effective to alter the output of the plate mill in response to downturns in the business cycle for finished flat products than to adjust the output of the company's EAF.

- A 40 percent tariff on slab would turn the company's forecasted operating income for 2002 of about [ ] into a operating loss of more than $[ ] million; a 20 percent tariff on slab would cause an operating loss of [ ] million.

- A shift in income of this magnitude would financially cripple the company, which has interest expense of over [ ] each year and annual capital needs in excess of [ ].

- Due to a large contract obtained by the Napa Pipe Mill to supply welded line pipe for the Kern River Expansion project, Oregon Steel will need to import at least [ ] more tons of slab in 2002 than it imported in 2000.

EXHIBIT 5

INJURY FINDINGS ON SLAB & CERTAIN CARBON FLAT-ROLLED STEEL

Like Product And Domestic Industry

- Ignoring 20 years of precedent, the ITC combined semi-finished steel slab and four finished flat-rolled products in defining one like product -- "certain carbon flat-rolled steel." (p. 36)*
- Slab, however, is not even a "flat-rolled" product. It is cast in the hot-end of a steel mill and is rolled into finished flat-rolled products in separate rolling mills.
- Counsel for the integrated producers, Dewey/Skadden, admitted in their briefs to the ITC that slab is not "like" plate, hot roll, cold roll, and coated ("plate and sheet").
- Curiously, the Commission found that semi-finished carbon and alloy ingot, billet, and bloom are not like any finished long products and that semi-finished stainless steel slab, ingot, billet, and bloom are not like any finished stainless steel products.
- In combining slab with plate and sheet, the Commission gave undue weight to USTR's grouping of flat products in the request for initiation. (p. 32)

Increased Imports

- "We note that in 1998, the midpoint of the full five-year period examined, there was a rapid and dramatic increase in imports, as import volumes both in absolute terms and a percentage of U.S. production peaked." (p. 50)
- Although imports (excluding Canada) of plate and sheet did jump 79 percent from 1996 to 1998, imports of slab fell 15 percent from 1996 to 1998.
- Slab imports did increase from 1998 to 2000, but only as a result of $1.5 billion invested in state-of-the art rolling capacity by AK Steel, California Steel, Duferco Farrell, and Oregon Steel.

Serious Injury

- The Commission stated no conclusions specific to slab, but it did note that "{b}etween 1996 and 2000, commercial shipments of slabs accounted for only 0.9 percent of total shipments of domestically produced slab." (p. 53, n. 199)

EXHIBIT 6
(Page 1 of 2)

* All citations are to the ITC's December 19, 2001 determination.

Substantial Cause

- "All slabs are consumed in the production of downstream steel, and steelmakers themselves are the only purchasers of slab." (p. 56)
- "Slab is not a rolled product and requires additional processing before it may be incorporated into a finished product." (p.56)
- The Commission found that downstream prices for hot roll and cold roll influence the price of slab, but not vice versa. (p. 43) Thus, the ITC rejected petitioners' argument that low-priced slab imports were adversely affecting prices of domestic sheet and plate.
- "The dramatic increase in the volume of imports in 1998 -- at the midpoint of the period examined -- coincided with sharp declines in the domestic industry's performance and condition which occurred despite growing U.S. demand." (p. 59)
- "The import surge occurred in most types of certain carbon flat-rolled steel." (p.60) The Commission discussed the surge of plate, hot roll, cold roll, and coated, but made no mention of slab. (p. 60) As noted above, slab imports fell 15 percent from 1996 to 1998.
- "The impact of the 1998 surge in imports on the domestic industry is undeniable." (p. 60)
- "{T}he surge in imports in 1998, at prices below domestic prices, led to a decline in the industry's financial and other indicators." (p.62)

U.S. Imports Of Slab And Flat-rolled Products (Excluding Canada)

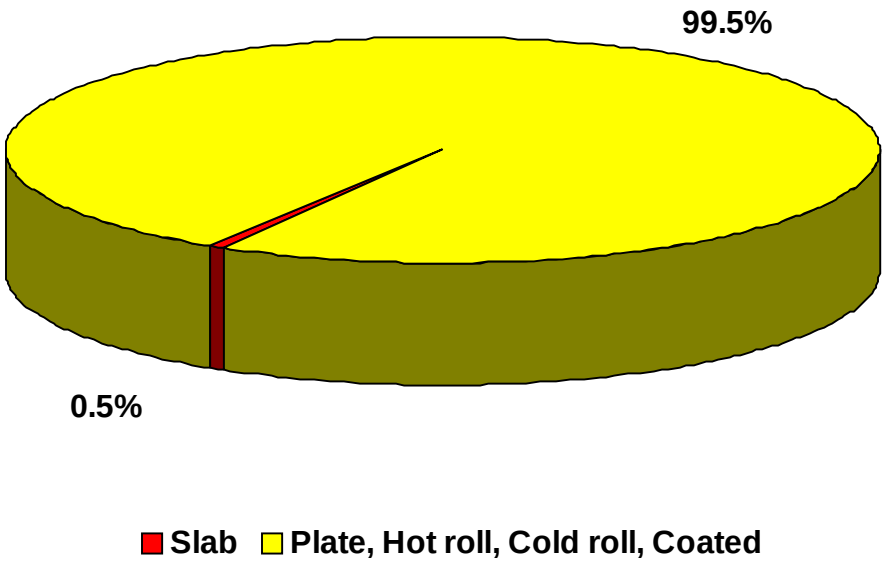
(000) short tons

	1996	1997	1998	1999	2000	Change '96-'98	Change '96-'00	January - June 2000	January - June 2001	Change '00-'01
Slab	**6,113**	**5,188**	**5,198**	**7,151**	**7,038**	**-15%**	**15%**	**3,923**	**2,351**	**-40%**
Flat-Rolled Products	**10,291**	**12,267**	**18,400**	**11,915**	**12,203**	**79%**	**19%**	**6,667**	**3,841**	**-42%**
Plate	1,752	1,203	1,940	740	783	11%	-55%	322	281	-13%
Hot roll	4,523	5,944	10,943	5,908	7,000	142%	55%	4,202	1,522	-64%
Cold roll	2,360	3,352	3,822	3,161	2,545	62%	8%	1,185	1,318	11%
Coated	1,656	1,768	1,695	2,106	1,876	2%	13%	958	720	-25%
All Flat Products	**16,403**	**17,455**	**23,598**	**19,066**	**19,241**	**44%**	**17%**	**10,589**	**6,192**	**-42%**

Source: http://dataweb.usitc.gov/scripts/steel.asp

EXHIBIT 7

Slab Share Of Net Sales Revenue For The Domestic Flat Products Industry During 1996-June 2001



Source: December 19, 2001 ITC Final Determination (Public), at FLAT 24-28. Annual revenues during 1996-June 2001 averaged $132,075,000 for slab and $26,974,395,000 for the flat products industry (slab, plate, hot roll, cold roll, and coated).

EXHIBIT 8

Slab Imports By AK Steel, California Steel Duferco Farrell, Oregon Steel, And All Others

Short Tons

	1996	1997	1998	1999	2000	Jan - June 2000	Jan - June 2001	Change '96-'00 Absolute	Change '96-'00 Percentage	Change '00-'01 Absolute	Change '00-'01 Percentage
AK Steel											
California Steel											
Duferco Farrell											
Oregon Steel											
Subtotal	2,186,290	1,746,402	2,165,234	3,611,156	3,651,677	1,770,767	1,798,404	1,465,387	67%	27,637	2%
All Others	4,111,115	3,669,970	3,186,413	3,756,920	3,608,137	2,325,381	575,626	(502,978)	-12%	(1,749,755)	-75%
Total Imports	6,297,405	5,416,372	5,351,647	7,368,076	7,259,814	4,096,148	2,374,030	962,409	15%	(1,722,118)	-42%

Sources: ITC Final Determination (Public) at FLAT-8 (Table FLAT-4) and
AK Steel, California Steel, Duferco Farrell, and Oregon Steel.

EXHIBIT 9

PROJECTED ADDITIONAL DEMAND FOR SLAB IMPORTS IN YEAR ONE OF RELIEF VS. 2000

(1,000 short tons)

Closure of Geneva Steel	200[1]
CSN Acquisition of Heartland	800[2]
Increased Production of Plate and Sheet	976[3]
Additional Furnace Relines	699[4]
Wheeling-Pittsburgh Adjustment Plan	800[5]
Industry Consolidation/Rationalization	Unknown
Environmental Constraints	Unknown
Total	**3,475**

[1] PRESS RELEASE, *Geneva Steel Announces Temporary Shutdown*, available at http://www.genevasteel.com/news/ index.htm. *See also* Geneva 2000 Form 10-K, at 10 (tonnage shipped in 2000).

[2] *Brazil's CSN taps toll roller to feed coil to new U.S. mill*, American Metal Market, July 11, 2001, at 1.

[3] Estimate is based on assumption that restrictions on plate and sheet will reduce non-Canadian imports by 40 percent (12,203,000 tons in 2000 X 0.4 = 4,881,200 tons) and that foreign slab will be needed to supply 20 percent of increased demand for domestic plate and sheet (4,881,200 X 0.2 = 976,240 tons).

[4] According to Metal Strategies, one blast furnace with 1,000,000 tons of annual capacity was relined during 2000, and 12 blast furnaces with 5,250,000 tons of average annual capacity should be relined during 2002-2005. This conservatively assumes that none of the BFs of LTV or Acme will be relined during 2002-2005. *See* page 2 of this Exhibit. Thus, the average annual capacity relined during 2002-2005 should exceed that relined during 2000 by at least 4,250,000 tons. The average reline requires 60 days of furnace downtime. The incremental loss of melt (and slab) capacity from 2000 to each year of relief due to additional relines is estimated as 60/365 X 4,250,000 = 699,000 tons.

[5] Adjustment Action submitted to USTR by Wheeling-Pittsburgh, November 5, 2001, at 3.

EXHIBIT 10

Furnace Relines: 2002-05 vs. 2000[1]

1,000 Short Tons

	Capacity Of Relined Furnaces			Average 2002-05 vs. 2000	
Company	Relined In 2000[2]	Expected Relines In 2002 - 05[3]	Average For 2002 - 05[4]	Change[5]	60-Day Equivalent[6]
AK Steel	-	1,900	475	475	78
Bethlehem Steel	-	2,740	685	685	113
National Steel	1,000	3,030	758	(243)	(40)
Rouge	-	3,250	813	813	134
United States Steel	-	5,880	1,470	1,470	242
WCI	-	1,500	375	375	62
Weirton	-	1,460	365	365	60
Wheeling-Pittsburgh	-	1,240	310	310	51
Total	**1,000**	**21,000**	**5,250**	**4,250**	**699**

[1] Source: Metal Strategies, Inc.

[2] According to Metal Strategies, only one BF was relined in 2000.

[3] Metal Strategies expects furnaces having these annual capacities to be relined once during 2002-2005.

[4] The average is one-fourth of the capacity noted in the prior column.

[5] The change is the average capacity relined during 2002-2005 less that relined in 2000.

[6] Equal to 60/365 times the number in the prior column.

EXHIBIT 10

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